



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
MARION COUNTY SHERIFF**

Calendar Year 2000

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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
MARION COUNTY SHERIFF

Calendar Year 2000

The Auditor of Public Accounts has completed the Marion County Sheriff's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Fee account balances increased by \$2,034 from the prior calendar year, resulting in a cash surplus of \$42,341 as of December 31, 2000. Revenues increased by \$27,581 from the prior year and disbursements increased by \$22,630.

Report Comments:

- The Sheriff Should Prepare And Publish An Annual Settlement
- The Sheriff Should Maintain Accurate Accounting Records, Issue Receipts For All Payments Received, And Deposit Carrying Concealed Deadly Weapons License Fees Timely
- The Fiscal Court Should Set Deputy Sheriff Salaries Annually

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

Excess Fees:

The Sheriff's office owes the Fiscal Court final excess fees of \$575 for calendar year 2000.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	5
COMMENTS AND RECOMMENDATIONS	9
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	15



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable David Hourigan, Marion County Judge/Executive
Honorable Carroll Kirkland, Marion County Sheriff
Members of the Marion County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Marion County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable David Hourigan, Marion County Judge/Executive
Honorable Carroll Kirkland, Marion County Sheriff
Members of the Marion County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- The Sheriff Should Prepare And Publish An Annual Settlement
- The Sheriff Should Maintain Accurate Accounting Records, Issue Receipts For All Payments Received, And Deposit Carrying Concealed Deadly Weapons License Fees Timely
- The Fiscal Court Should Set Deputy Sheriff Salaries Annually

In accordance with Government Auditing Standards, we have also issued a report dated August 30, 2001, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 30, 2001

MARION COUNTY
CARROLL KIRKLAND, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

State Fees For Services:

Finance and Administration Cabinet	\$ 13,567	
Cabinet For Human Resources	908	
KLEFPF	<u>10,832</u>	\$ 25,307

Circuit Court Clerk:

Sheriff Security Service	\$ 13,831	
Fines and Fees Collected	14,777	
Court Ordered Payments	<u>52</u>	28,660

Fiscal Court		17,759
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County Clerk - Delinquent Taxes		1,096
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Commission On Taxes Collected		177,136
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Fees Collected For Services:

Auto Inspections	\$ 3,090	
Accident and Police Reports	37	
Serving Papers	12,480	
Carrying Concealed Deadly Weapon Permits	<u>6,705</u>	22,312

Other:

Sheriff's Fees and Advertising Costs	\$ 21,684	
Miscellaneous	<u>2,425</u>	24,109

Interest Earned		6,411
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Borrowed Money:

State Advancement		<u>109,485</u>
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Gross Receipts		\$ 412,275
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MARION COUNTY
 CARROLL KIRKLAND, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-		
Deputies' Salaries	\$	155,286
Employee Benefits-		
Employer's Share Social Security		34
Employer's Share Retirement		1,592
Materials and Supplies-		
Office Materials and Supplies		6,398
Uniforms		2,258
Auto Expense-		
Gasoline		9,355
Vehicle Maintenance and Repairs		11,163
Other Charges-		
Training		1,513
Dues		483
Postage		220
Equipment Repair		1,326
Carrying Concealed Deadly Weapon Permits		4,495
Miscellaneous		2,082
Capital Outlay-		
Office Equipment		4,250
Debt Service:		
State Advancement		<u>109,485</u>
Total Disbursements		<u>\$ 309,940</u>
Net Receipts		\$ 102,335
Less: Statutory Maximum	\$	59,306
Training Incentive		<u>688</u>
	\$	<u>59,994</u>
Excess Fees Due County for Calendar Year 2000		\$ 42,341
Payments to County Treasurer- January 31, 2001	\$	34,766
March 9, 2001		<u>7,000</u>
		<u>41,766</u>
Balance Due at Completion of Audit		<u>\$ 575</u>

The accompanying notes are an integral part of the financial statement.

MARION COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.78 percent.

MARION COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2000
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the Sheriff's agent in the Sheriff's name.

Note 4. Drug Seizure Fund

During calendar year 2000, the Sheriff's office opened and maintained a Drug Seizure Fund. Receipts for this fund are from court ordered payments related to drug cases. These funds are reserved for items directly related to law enforcement and are not available for excess fee purposes. Receipts to this fund for 2000 were \$13,288, disbursements totaled \$1,638 leaving an unexpended balance of \$11,650 as of December 31, 2000. All items expended were for items directly related to law enforcement in compliance with KRS 218A.

COMMENTS AND RECOMMENDATIONS

MARION COUNTY
CARROLL KIRKLAND, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

Calendar Year 2000

STATE LAWS AND REGULATIONS:

1) The Sheriff Should Prepare And Publish An Annual Settlement

The Sheriff has not prepared an annual settlement as required by KRS 134.310(5). KRS 134.310(5) states . . . “[t]he sheriff shall file annually with his final settlement: a) A complete statement of all funds received by his office for official services, showing separately the total income received by his office for services rendered, exclusive of his commissions for collecting taxes, and the total fund received as commissions for collecting state, county, and school taxes; and b) A complete statement of expenditures of his office, including his salary, compensation of deputies and assistants, and reasonable expenses.” In addition, the Sheriff did not publish an annual settlement in accordance with KRS 424.220 (6), which requires financial statements to be published 60 days after the end of the calendar year. We recommend that the Sheriff’s office prepare an annual financial statement or settlement for the fee account in the future, submitting it to the fiscal court for approval and publish the approved copy in the newspaper.

Sheriff’s Response:

Sheriff’s Office understands and will comply.

Judge/Executive’s Response:

No response.

2) The Sheriff Should Maintain Accurate Accounting Records, Issue Receipts For All Payments Received, And Deposit Carrying Concealed Deadly Weapons License Fees Timely

During the audit of the Sheriff’s receipts and disbursements for calendar year 2000, we noted numerous classification errors in the receipts and disbursements ledgers. These classification errors required adjustments and reclassifications to the receipts and disbursements ledgers. KRS 43.075(3) stipulates that the auditor shall determine whether the county official is complying with the requirements of the uniform system of accounts. The Uniform System of Accounts established under the authority of KRS 68.210 requires the Sheriff to keep and maintain a daily receipts and disbursements ledger.

Receipts were not being issued for all payments received for delinquent taxes and carrying concealed deadly weapons (CCDW) license fees. KRS 64.840 states “...all county officials shall, upon the receipt of any fine, forfeiture, tax, or fee, prepare a receipt that meets the specifications of the state local finance officer, if the fine, forfeiture, tax, or fee is paid: (a) In cash; (b) By a party appearing in person to pay; or (c) By check, credit card, or debit card account received through the mail, if the party includes an addressed, postage paid return envelope and a request for a receipt.”

MARION COUNTY
CARROLL KIRKLAND, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS
Calendar Year 2000
(Continued)

- 2) The Sheriff Should Maintain Accurate Accounting Records, Issue Receipts For All Payments Received, And Deposit Carrying Concealed Deadly Weapons License Fees Timely
(Continued)

CCDW license fees were not being deposited within a reasonable time period. The monies collected for these fees were being housed in the Sheriff's vault until a bill from Frankfort was received usually once a month. At that time the monies would be deposited in the fee account in order to make the payment to Frankfort.

We recommend that the Sheriff's office keep an accurate receipts and disbursements ledger and issue receipts for all fines, forfeitures, taxes, and fees that are collected by the Sheriff's office. We also recommend that any monies collected for CCDW be deposited at least weekly if not daily into either the fee account or a separate account especially for CCDW receipts.

Sheriff's Response:

Sheriff's Office understands and will correct.

Judge/Executive's Response:

No response.

- 3) The Fiscal Court Should Set Deputy Sheriff Salaries Annually

KRS 64.530(3) requires the fiscal court to fix the maximum amount, including fringe benefits, which the Sheriff may expend for deputies and assistants, and allow the Sheriff to determine the number to be hired and the individual compensation of each deputy and assistant. The fiscal court did not properly fix maximum salaries for the Sheriff's deputies for calendar year 2000. We recommend the fiscal court comply with KRS 64.530(3) by setting the maximum salaries and fringe benefits for Sheriff's deputies on an annual basis.

Sheriff's Response:

Sheriff's Office will present appropriate forms to fiscal court for approval.

Judge/Executive's Response:

The Marion County Fiscal Court will establish maximum amounts the Sheriff may expend for salaries and office expenses in all future budgets.

MARION COUNTY
CARROLL KIRKLAND, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS
Calendar Year 2000
(Continued)

INTERNAL CONTROL - REPORTABLE CONDITIONS:

None.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

None.

PRIOR YEAR:

In the prior year audit report, we made the following comments and recommendations:

- The Sheriff Should Have Required The Depository Institution To Provide Additional Collateral Of \$22,457 And Entered Into A Written Agreement To Protect Deposits

This finding has been corrected for calendar year 2000. No repeat comment is necessary.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

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Members of the Marion County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Marion County Sheriff for the year ended December 31, 2000, and have issued our report thereon dated August 30, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Marion County Sheriff's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Sheriff Should Prepare And Publish An Annual Settlement
- The Sheriff Should Maintain Accurate Accounting Records, Issue Receipts For All Payments Received, And Deposit Carrying Concealed Deadly Weapons License Fees Timely
- The Fiscal Court Should Set Deputy Sheriff Salaries Annually

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marion County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 30, 2001

